

Bank Leumi le-Israel
FI & Custody and Cash Services
Capital Markets Division
35 Yehuda Halevy Street, Beit Lynn 13th Floor
Tel Aviv Israel 6513617

Wednesday, December 02, 2020

Dear Customers/Custodians,

Re: Tax Reclaim Procedure

I. General notes:

1. Foreign investors are subject to tax on certain types of events, for example income tax on dividend and interest (coupon) on bonds, including income tax on credit interest deriving from credit balances in the client's ILS cash account.
The Israel Tax Authority ("ITA") allows the local custodians to apply tax relief at source (with the exception of Capital Gains Tax) to their clients, provided that the foreign investor (i) signed a tax declaration of his being a foreign resident (Tax Form 2402) and that (ii) the investor provided the local custodian with a Certificate of Tax Residency ("COTR") from his country of residence, confirming that the investor resides in a country, which has signed a double tax treaty with Israel.
2. In the event that the COTR and 2402 were submitted to Leumi at the time the securities account was opened (and before any income was paid on the account), tax will be deducted at source according to the treaty rate. In such case, there is no need to submit a tax reclaim. Therefore, it is to your benefit to provide Bank Leumi with COTR **prior** to receiving any income.
3. However, if no COTR was submitted when the income was paid, in such cases, Leumi's system will deduct tax as per the default tax rate. The investor or his global custodian (which maintains a **segregated** sub-account with Leumi, in the name of the investor) can then send Leumi an application to reclaim the excess tax that was deducted, according to the procedure set out below.

Following are the types of tax payments that may be reclaimed, where relevant:

- i. Tax on interest income
 - ii. Tax on dividend income
4. ***Note: Only segregated accounts (in name of the beneficial owner or segregated per country of residence), can benefit from treaty rates. Omnibus securities accounts, that are not segregated by country of residence, cannot benefit from a reduced tax rate.***
 5. In general, an investor can request a tax reclaim up to 6 years from the end of the year in which the tax was deducted.
The ITA enables Bank Leumi to process requests for tax reclaims for a period of 6 years back. For example, in 2018, Leumi can process tax reclaims as far back as 2012. Reclaims for the 6th year back (for example: in 2018, the 6th year back is 2012) must be provided by the 31st of December of the current year (in our example 2018).

6. In order for Leumi to handle your tax reclaims request(s), please provide with the information detailed in section A below. In addition, enclosed in your request please include the declaration mentioned in section B below. The information and the declaration must be signed by an authorized signatory and need to be provided separately for each individual request for dividend/interest reclaim.

The duly signed tax reclaim application needs to be sent in **original/soft copy form** to your relationship manager at Bank Leumi

Note: With regards to Capital Gains Tax - The Israeli Tax Authority ("ITA") does not allow the local banks to deduct a reduced tax rate other than the standard tax rate. An investor, who was taxed with the full rate and wishes to reclaim the excess of tax according to the treaty rate, will need to contact the ITA directly (or via an appointed Tax Agent) and file a report. Should you require a contact person at ITA, please contact your Relationship Manager at our department for assistance.

II. Reclaim Procedure:

A tax reclaim can be submitted to us, if the investor did not send us a Certificate of Tax Residency ("COTR") / any other tax exemption document **prior** to receiving the income. In such case, the Bank deducted the **default** tax rate on the income. After the tax was deducted, the investor sends us a COTR/any other tax exemption document and requests that we reclaim the excess of tax on his behalf, being the difference between the tax treaty rate/ exemption and the default tax rate.

In order to handle the reclaim request, Leumi will need the following (separately for each individual request for dividend/interest reclaim):

A. Details Regarding the Dividend/Interest Received

- The account name and account number in which the income was paid and tax deducted.
- The security ID (ISIN).
- The payment date of the income.
- The relevant quantity of securities for which the reclaim applies.
- The gross amount of the payment (details appear in our MT566).
- The amount of tax withheld.
- The amount of excess tax to be reclaimed.

B. Your application should include the following declaration:

"We hereby declare that we have not previously submitted this tax reclaim to you, and that we have never received a tax refund for this particular claim. Should it transpire at any time in the future that we have been refunded more than once for this particular claim, we hereby authorize you to debit our cash account with the excess refund amount, under advice to us."

The application for a tax reclaim must be signed by an authorized signatory and sent in original (by post / courier) or soft copy (via email), including the above-mentioned details, to the dedicated relationship manager, address as follows:

Attention: (Name of Relationship Manager)
FI & Custody and Cash Services
Beit Lynn 13th Floor
35 Yehuda Halevy Street,
Tel Aviv Israel 6513617

III. Service charges

Service fee regarding tax reclaims are charged as follows:

- (i) Tax reclaims submitted during the first quarter of the current year:
free of charge
- (ii) Tax reclaims submitted during the second quarter of the current year:
USD 25 charged in ILS, on a per transaction basis;
- (iii) Tax reclaims submitted during the third and fourth quarter of the current year:
USD 50 charged in ILS on a per transaction basis;
- (iv) Tax reclaim application related to tax deducted prior to the current year: USD 100
charged in ILS, on a per transaction basis.

Please circulate this message among your tax units as well as to any other relevant units within your organization in order for them to update their records.

We thank you for your cooperation in this matter.

Best regards,

Mr. Udi Rosenbaum
Head of Institutional clients and Investments

Ms. Carine Wiener Perlmutter
Global Head of Financial Institutions Management

Bank Leumi le-Israel B.M.
Capital Markets Division
E-mail: custody-cash@bll.co.il